

NORTH CAROLINA GENERAL ASSEMBLY



JOINT LEGISLATIVE ECONOMIC DEVELOPMENT AND GLOBAL ENGAGEMENT OVERSIGHT COMMITTEE

REPORT TO THE 2016 SESSION of the 2015 GENERAL ASSEMBLY OF NORTH CAROLINA

APRIL 7, 2016

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TRANSMITTAL LETTER

April 7, 2016

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TO THE MEMBERS OF THE 2016 REGULAR SESSION
OF THE 2015 GENERAL ASSEMBLY

The **JOINT LEGISLATIVE ECONOMIC DEVELOPMENT AND GLOBAL
ENGAGEMENT OVERSIGHT COMMITTEE**, respectfully submits the following
report to the 2016 Regular Session of the 2015 General Assembly.

Sen. Harry Brown (Co-Chair)

Rep. Susan Martin (Co-Chair)

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COMMITTEE PROCEEDINGS

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The Joint Legislative Economic Development and Global Engagement Oversight Committee is established in Article 12O of Chapter 120 of the General Statutes to serve as a permanent legislative commission to review issues relating to economic growth and development in the global economy. The Committee consists of twenty-two members, eleven appointed by the President Pro Tempore of the Senate, at least three of whom are members of the minority party and eleven appointed by the Speaker of the House of Representatives, at least three of whom are members of the minority party.¹ The co-chairs for 2015-2016 are Senator Harry Brown and Representative Susan Martin.

The Joint Legislative Economic Development and Global Engagement Oversight Committee met 4 times after the 2015 Regular Session. The following is a brief summary of the Committee's proceedings. Detailed minutes and information from each Committee meeting are available in the Legislative Library.

The General Assembly changed the landscape of economic development substantially over the last two years. Tax policy has shifted from a variety of targeted tax credits to a simplified tax code with a low income tax rate. The only economic development tax credit that exists today is one for historic rehabilitation. In place of business tax credits and deductions, the corporate income tax rate has been reduced from 6.9% to a projected 3% in 2017 and the tiered individual income tax rate structure ranging from 6% to 7.75% has been replaced with a flat tax rate of 5.499% in 2017. The double-weighted sales factor apportionment formula, that determines how a multistate corporation allocates its income among the states in which it does business, is being phased into a single sales factor apportionment formula. Single sales factor apportionment encourages companies to locate facilities and workforce in this State since the increased investment in this State does not result in an increase percentage of its profit/net worth being subject to income and franchise tax in this State.

The General Assembly changed the structure of the Department of Commerce. Some functions that were formerly performed by outside entities are now performed in-house by the Rural Economic Development Division and the Rural Infrastructure Authority. At the same time, the General Assembly gave the Department the authority to contract with a North Carolina nonprofit corporation for the performance of certain departmental duties, such as marketing of the State. The Department has contracted with the Economic Development Partnership of North Carolina, Inc. to be the sales and marketing arm of the State and to be responsible for business recruitment; existing industry and small business

¹ The Speaker of the House of Representatives appointed three non-voting advisory House members in 2015.

support; import and export assistance; and marketing, tourism, film, and sports development. The General Assembly also eliminated the seven regional economic development commissions and designated eight geographical areas as prosperity zones. The prosperity zones consists of entities mandated to liaise in order to coordinate across government, create administrative efficiencies, and establish one-stop sources for citizens and businesses.

The Committee focused its attention this interim to the uneven economic growth in the State between the urban regions and the rural regions. It looked at the State's economy with an emphasis on the rural/urban divide. It examined how the State currently measures economic distress and whether these measures should be modified. It discussed the economic development tiers and whether and how those tier classifications should be modified. It examined the existing programs in the Rural Economic Development Division that target economic distressed counties as well as programs in other agencies that address infrastructure needs distressed counties have. The Committee agendas provide an outline of the presentations the Committee heard and the presentations may be viewed on the Committee's website: [Meeting Materials](#).

FINDINGS AND RECOMMENDATIONS

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COMMITTEE MEMBERSHIP

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2015-2016

President Pro Tempore of the Senate
Appointments:

Sen. Harry Brown (Co-Chair)

Sen. Tamara Barringer
Sen. Angela Bryant
Sen. Richard Gunn
Sen. W. Jackson
Sen. Michael Lee
Sen. Thomas McInnis
Sen. Floyd McKissick
Sen. Robert Rucho
Sen. Norman Sanderson
Sen. Erica Smith-Ingram

Speaker of the House of Representatives
Appointments:

Rep. Susan Martin (Co-Chair)

Rep. Christopher Malone (Vice-Chair)
Rep. George Robinson (Vice-Chair)
Rep. John Bell
Rep. Jeffrey Collins
Rep. R. Davis
Rep. John Fraley
Rep. Kenneth Goodman
Rep. Edward Hanes
Rep. Rodney Moore
Rep. Rena Turner
Rep. Mark Brody (Advisory Member)
Rep. Richard Catlin (Advisory Member)
Rep. Debra Conrad (Advisory)

COMMITTEE CHARGE/STATUTORY AUTHORITY

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"Article 12O.

"Joint Legislative Economic Development and Global Engagement Oversight Committee.

"§ 120-70.130. Creation and membership of Joint Legislative Economic Development and Global Engagement Oversight Committee.

The Joint Legislative Economic Development and Global Engagement Oversight Committee is established. The Committee consists of 22 members as follows:

- (1) Eleven members of the Senate appointed by the President Pro Tempore of the Senate, at least three of whom are members of the minority party; and
- (2) Eleven members of the House of Representatives appointed by the Speaker of the House of Representatives, at least three of whom are members of the minority party.

Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year, except the terms of the initial members, which begin on appointment and end on the day of the convening of the 2007 General Assembly. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

A member continues to serve until a successor is appointed. A vacancy shall be filled by the officer who made the original appointment." (2005-241, s. 7, 2011-291, section 1.10, 2011-292.)

§ 120-70.131. Purpose and powers of Committee.

(a) The Joint Legislative Economic Development and Global Engagement Oversight Committee shall examine, on a continuing basis, economic development and global engagement issues and strategies in North Carolina in order to make ongoing recommendations to the General Assembly on ways to promote cost-effective economic development initiatives, economic growth, and stimulating job creation in the global economy. In this examination, the Committee may:

- (1) Study the budgets, programs, and policies of the Department of Commerce, the North Carolina Partnership for Economic Development, and other State, regional, and local entities involved in economic development.
- (2) Analyze legislation from other states regarding economic development.

- (3) Analyze proposals produced by the Economic Development Board.
- (3a) Request the Department of Commerce to provide an annual report by January 15 of each year on the effectiveness of the following economic development programs:
 - a. Job Development Investment Grant Program (JDIG).
 - b. One North Carolina.
 - c. Article 3J Credits.
 - d. Job Maintenance and Capital Development Fund (JMAC).
- (4) Analyze North Carolina's current international activity in the business, State government, and education sectors.
- (5) Analyze barriers to international trade that may be addressed by legislation.
- (6) Explore ways to increase coordination, synchronization, and intercommunication between State and local governmental entities.
- (7) Collect and analyze data on global business trends.
- (8) Study foreign representation opportunities for North Carolina that could solicit, target, educate, and recruit international businesses to North Carolina.
- (9) Analyze incentives designed to encourage small businesses to export goods and service solutions.
- (10) Study methods for positioning North Carolina as a portal to North America for international trade.
- (11) Explore opportunities to increase foreign direct investment in North Carolina.
- (12) Study any other matters that the Committee considers necessary to fulfill its mandate.
- (b) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee. (2005-241, s. 7, 2011-291, section 10.1, 2011-292.)

§ 120-70.132. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Economic Development and Global Engagement Oversight Committee. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is seven members. Only recommendations, including proposed legislation, receiving at least six affirmative votes may be included in

a Committee report to the General Assembly. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) The cochairs of the Committee may call upon other knowledgeable persons or experts to assist the Committee in its work.

(d) Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee." (2005-241, s. 7, 2011-292.)

LEGISLATIVE PROPOSALS

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SUPPORTING DOCUMENTATION

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COMMITTEE AGENDAS

AGENDA
JOINT LEGISLATIVE ECONOMIC DEVELOPMENT &
GLOBAL ENGAGEMENT OVERSIGHT COMMITTEE

Sen. Harry Brown Rep. Susan Martin

*Thursday, January 7, 2016
Room 643, Legislative Office Building
9 a.m.*

- I. Call to Order**
Rep. Susan Martin
- II. Overview of Landscape**
- **Recent General Assembly Actions: Tax Policy, Agency Structure & Programs**
Cindy Avrette, Research Division
Aubrey Incorvaia, Fiscal Research Division
 - **State of North Carolina's Economy with an Emphasis on Examining the Rural/Urban Divide**
Ted Abernathy, Economic Development & Strategic Planning Consultant
- III. Measuring Economic Distress: Should Tier Designation Criteria be Modified?**
- **Program Evaluation Division Report Overview: *North Carolina Should Discontinue the Economic Development Tiers System and Reexamine Strategies to Assist Communities with Chronic Economic Distress***
Sara Nienow, Program Evaluation Division
 - **NC Department of Commerce**
Jeff DeBellis, Labor & Economic Analysis Division
 - **Response to PED Report**
 - **Report Overview: *Measuring Economic Distress in North Carolina***
 - **Appalachian Regional Commission's Assessment of Distress**
Kostas Skordas, ARC Division of Regional Planning & Research Director
- IV. Committee Discussion: Should the Tier Designation System be Updated?**
- What is the regional boundary of assessment?
 - Which variables should be included?
 - Should absolute categories be mandated or should an index approach be adopted?
 - Others?
- V. Adjournment**

AGENDA
JOINT LEGISLATIVE ECONOMIC DEVELOPMENT &
GLOBAL ENGAGEMENT OVERSIGHT COMMITTEE

Sen. Harry Brown Rep. Susan Martin

*Thursday, February 4, 2016
Room 643, Legislative Office Building
9:00 a.m.*

- I. Call to Order**
- II. Approval of Minutes from January 7, 2016, Meeting**
- III. Overview of the Meeting Agenda**
Cindy Avrette, Legislative Analysis Division, NCGA
- IV. Measuring Economic Distress: Conclusions & Recommendations**
Jeff DeBellis, Labor & Economic Analysis Division, Department of Commerce
- V. Rural Economic Development Division: Existing Programs Targeting Economic Distress**
Dr. Pat Mitchell, Assistant Secretary of Commerce
- VI. North Carolina Economy and Income: Growth vs Gain**
Brent Lane, Director, UNC Center for Competitive Economies, Kenan Flagler Business School, UNC-Chapel Hill
- VII. Adjournment**

AGENDA
JOINT LEGISLATIVE ECONOMIC DEVELOPMENT &
GLOBAL ENGAGEMENT OVERSIGHT COMMITTEE

Sen. Harry Brown Rep. Susan Martin

*Thursday, March 17, 2016
Room 544, Legislative Office Building
1:00 p.m.*

- I. **Call to Order**
- II. **Approval of Minutes from February 4, 2016, Meeting**
- III. **Site Development and Shell Building Loan Programs**
*Dr. Pat Mitchell, Assistant Secretary for Rural Economic Development,
Department of Commerce*
- IV. **Programs to Address Infrastructure Needs of Distressed Counties**
 - **Water and Sewer Infrastructure**
*Kim Colson, Director, Division of Water Infrastructure, Department of
Environmental Quality*
 - **Broadband Infrastructure**
*Jeff Sural, Director, Broadband Infrastructure Office, Department of
Information Technology*
 - **Transportation Infrastructure**
*David Wasserman, P.E., Transportation Engineer, Strategic Planning
Office, Department of Transportation*
 - **Education Needs**
Philip Price, CFO, Department of Public Instruction
- V. **Economic Development Tiers**
 - **Introduction and Policy Considerations**
Dan Ettefagh, Bill Drafting Division, NCGA
 - **Report from the PED Oversight Committee**
*Rep. Ted Davis, Subcommittee Chair of PED Oversight Committee on
Economic Development Tiers System*
 - **Overview of Tier Structure; Program Use of Tier Rankings; and Policy
Options**
Dan Ettefagh, Bill Drafting Division, NCGA
- VI. **Adjournment**

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